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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [VE](#)

SUBJECT: POLITICIZING VENEZUELA'S ECONOMIC BUREAUCRACY

REF: A. 93 CARACAS 03454

- [1](#)B. 93 CARACAS 03769
- [1](#)C. 93 CARACAS 02745
- [1](#)D. CARACAS 00627
- [1](#)E. 93 CARACAS 01995
- [1](#)F. 93 CARACAS 04002

Classified By: Ambassador Charles S. Shapiro for reasons 1.4 (b) and (d).

SUMMARY

[1](#)1. (C) Current efforts to ensure loyalty within Venezuelan government institutions by using the list of persons who signed the recall petition against President Chavez, take place against the backdrop of a longer history of politically motivated firings and personnel shuffling aimed at cementing the administration's control over the bureaucracy. Emboffs have received numerous reports of technicians, particularly in the economic and trade ministries, being replaced by officials who have closer military, party or personal ties to Chavez and/or his top advisors. This trend, which includes the October 2003 appointment of a former military officer as Minister of Production and Trade, has already begun to have significant effects on Venezuela's foreign as well as domestic economic policies. END SUMMARY.

GETTING RID OF THE TECHNICIANS

[1](#)2. (C) Former Air Force Lieutenant Colonel Wilmar Castro, a participant in President Hugo Chavez's 1992 coup attempt, replaced Minister for Production and Trade Ramon Rosales in October 2003 (ref A). This marked a trend within the economic ministries of replacing technically sophisticated officials at the ministerial and vice-ministerial level with persons whose political connections outweighed their experience in their new fields. (Rosales, an academic specialist on international trade was a rabid opponent of "globalization" but was regarded by business as a knowledgeable and somewhat sympathetic interlocutor in specific issues.) Since then, we have received other reports of politically motivated personnel shifts, reaching considerably further down into the ranks of civil servants. In December 2003, Eduardo Porcarelli, former Director for the Office of Foreign Trade in the Ministry of Production and Trade (MPC), told econoffs he had resigned from his position in September 2003 because he had been increasingly marginalized within the Ministry. Roberto Arias, a trade specialist in the same MPC office, also described his transfer to a different government job as politically motivated and illegal. Arias told econoff that four people in the office had been transferred or resigned within a two month period.

[1](#)3. (C) Arias and Porcarelli noted the importance of their former office to the development and promotion of Chavez's international economic policies. Their replacements, who are for the most part, political appointees with little international trade experience, are now managing preparations for WTO negotiations and Venezuela's upcoming association with MERCOSUR (ref B). Porcarelli and Arias confirmed the accounts of others in MPC, the Ministry of Agriculture and Lands, and the Ministry of Planning and Development, that technical experts are being sidelined on critical issues.

[1](#)4. (C) Jorge Szeplaki, Superintendent of Venezuela's anti-trust agency (PROCOMPETENCIA), told econoffs his organization had been stripped of its traditional role as one of the technical advisors in the preparations for FTAA negotiations. According to Szeplaki, the Presidential Commission now managing Venezuelan FTAA policy is made up of ideologues who have close relationships with Chavez. The President of the Commission, former Vice Minister of Industry, and now a board member of Petroleos de Venezuela (PDVSA), Victor Alvarez, told econcouns in August 2003 that the GOV would lobby to postpone FTAA negotiations until all the countries involved had reached "economic parity" (ref C).

Alvarez is a self-proclaimed opponent of laissez-faire economics and the government's chief proponent of a Latin American-led regional alternative to the FTAA. The Ministry of Foreign Affairs, according to Amb. Oscar Hernandez,

Director for International Economic Affairs and former permrep to the WTO in Geneva, is completely sidelined on international trade negotiations.

15. (C) Jose Fermin, a career civil servant and former top legal advisor in the Venezuelan Patent and Copyright Agency (SAPI), told econoffs in January he was one of many dismissed from the agency for political reasons. Fermin said his January 2004 removal was ordered by SAPI director Eduardo Saman because he refused to fall in with Saman's politically influenced policies. Industry contacts confirm that several career civil servants with significant technical expertise have been dismissed from SAPI as a result of which patent applications have been stalled. Saman is on record as an opponent of expanded IPR protection for international pharmaceuticals which he views as potentially detrimental to Venezuela's health care system (ref D). (Note: When Fermin met with econoffs, Saman was in Cuba to discuss the implementation of part of the 2000 Venezuela-Cuba Agreement (ref E) which calls for cooperation on IPR issues.)

16. (C) Under Saman's influence, SAPI has decreased the number of new patents awarded to pharmaceutical products, the GOV has instituted a policy of approving domestic copies of internationally patented pharmaceutical products for sale in Venezuela, and the National Assembly is considering changes to the new Industrial Property Bill which would worsen the legal framework for protection of intellectual property. (Comment: Saman was himself briefly removed from office last year by former Minister of Production and Trade Rosales, but was returned to his position once Rosales was removed. Industry sources say Saman's close relationship to Chavez facilitated his quick return to SAPI and Rosales' ouster.)

17. (SBU) The technical experts in the food sector also appear to be targets. Ministry of Agriculture and Lands (MAT) sources tell emboffs that former Vice Minister Oswaldo Carnevali, a respected figure in the industry, was fired in June 2003 because he publicly noted the need to raise food prices, a realistic assessment which was perceived by his superiors as "counter-revolutionary." His position was filled by General Rafael Oropeza. Former MAT Director of Marketing Carlos Abello told emboffs he was pressured to resign because he would no longer manipulate the issuance of import licenses. Abello was ultimately replaced by an unknown, Irahil Mendez. Industry sources say costs per ton for corn import licenses have recently increased and at least one U.S.-affiliated company has not been able to get licenses since September 2003.

CHANGING THE RULES OF THE GAME

18. (C) Current MPC Assistant Director of Foreign Trade Nilsa Mujica told econoffs the trend of transferring and dismissing civil servants could be justified under Venezuela's November 2001 Public Authority Law, which provides the legal framework for hiring and firing government employees. In her words, "the new law makes it easier to remove unproductive personnel and decreases labor liability". Article 98 of the law provides for dismissal of career civil servants if administrative changes, office closures, or personnel downsizing are required and previously approved by the office of the President. "Participating in strikes that do not meet legal requirements" is another reason for dismissal of public servants under the law.

19. (C) Mujica complained to econoff that the 2001 law had revoked previous safeguards for career employees making them almost as vulnerable to abrupt dismissal as political appointees. The situation for public servants was worsened by the October 2003 dismantling of Venezuela's First Court for Contentious Administrative Matters. The Supreme Court called this action necessary to deal more efficiently with a high case load, however, the court has yet to be replaced with an equivalent court. The First Court heard cases dealing with alleged illegal government actions and acted as a court of appeals for illegally dismissed public employees (ref F). According to Mujica, the court almost always found in favor of employees in those cases. She suggested to econoff that the absence of any avenue for appeal has had a chilling effect on employees who might have considered protesting what they see as a trend of politically motivated transfers and firings in the economic ministries.

COMMENT

110. (C) Politically motivated firings and harassment within

the public sector have become more visible as the GOV targets people who signed the recall petition against President Chavez. A longer pattern of replacing non-partisan figures in the economic ministries with Chavez loyalists exists. As Chavez seeks to keep his approval ratings up, the importance of the ministries that oversee significant domestic "development" funds as well as overall economic policy, also increases. The GOV is likely to continue to pursue a strategy which gives the President more control over the bureaucracy and more secure access to funds that could boost his popularity.
SHAPIRO

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